

Local Internet access provider hoping to hit communication highway fast lane

Peer 1 Network Enterprises Inc. scoops up San Antonio's ServerBeach Ltd., launches deal to secure up to \$3 million

Glenn Drexhage

A local company that helps firms navigate the Internet highway is moving ahead with big plans and a financing whose status remained uncertain early last week.

Near the end of October, **Peer 1 Network Enterprises Inc.** (PIX: TSX Venture) announced it was boosting a previously announced private placement that was originally slated to raise \$2 million.

The amended deal, to be brokered by agent **Haywood Securities Inc.**, was announced the day after Peer 1 completed its acquisition of **ServerBeach Ltd.** in San Antonio, Texas. The purchase included a cash component worth US\$7.5 million.

At the beginning of last week Peer 1 president and CEO **Geoff Hampson** said the financing might not go forward with the deal, which involves selling units for \$0.38 each.

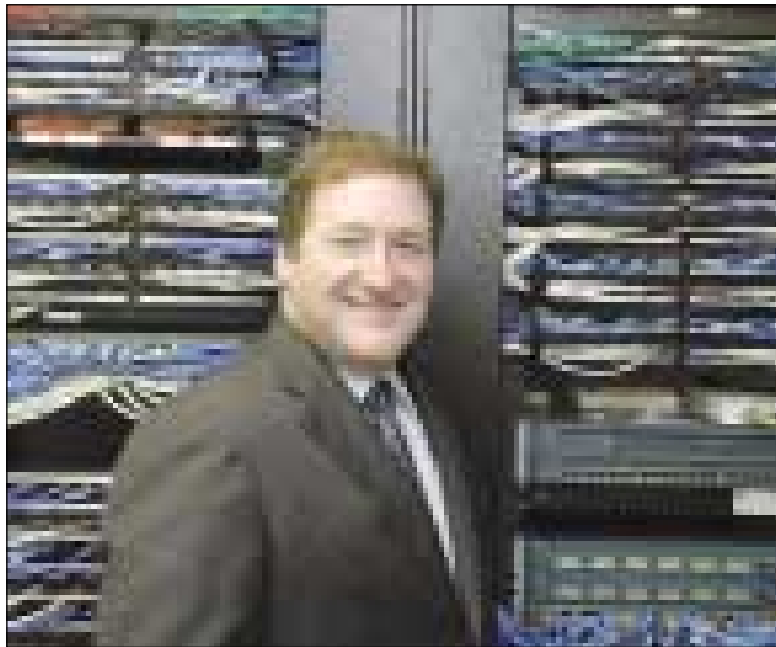
"If we can't sell it at the \$0.38 that we've announced, then we'll probably pull it and wait until we can show some results in the next two quarters that include the acquisition of ServerBeach and hope that the market will appreciate better what we've done," said Hampson, 47.

Shortly after, however, Hampson said the financing was proceeding and was authorized to raise up to \$3 million, with the option of raising another \$750,000.

He said the unit price remained at \$0.38 yet noted that repricing may be required as the order book closes up. Hampson hopes the deal will be closed within a couple of weeks.

"We decided that there's a benefit to having the stock more widely distributed," he said.

Peer 1 isn't the only local company to encounter tricky markets recently. In October, Burnaby biotech **Chromos Molecular Systems Inc.** (CHR: TSX), citing market conditions, also shelved a private placement initially planned



CEO Geoff Hampson: a benefit to having stock more widely distributed

to raise up to \$7 million.

Dealmaking aside, Peer 1 – which began in 1999 – has plenty to keep it busy. It's a wholesale Internet access provider with a network that provides always-on, high-speed access for customers that include businesses, governments and universities. Various network services and products are also offered.

In addition, the company has co-location facilities where customers can store servers and buy bandwidth from Peer 1 and/or other providers.

Competitors in this space include the big telcos, although Hampson pitched Peer 1's smaller size as a benefit that allows the firm to respond quickly.

Including its recent buy, Peer 1 has 75 employees, with about 28 in Vancouver.

"There still certainly is room for a competitor that is fleet of foot and perhaps willing to skin a cat in a different manner," said **Mark Quigley**, research director for the **Yankee Group** in Ottawa. "So being smaller in all likelihood makes them a little more responsive."

Peer 1 has co-location facilities

in eight North American cities, some with multiple sites. For example, it's building out its third facility in Vancouver.

In mid-November, it announced its first European network "point of presence" – an access point to Peer 1's network – in London, England, which connects to the London Internet Exchange, the biggest of its kind in Europe.

Hampson also hopes to have a co-location centre in London some time in 2005.

"It's our intention to build out a bit of a European network over the next two to three years to mirror the network that we've got in North America," he said, adding that another point of presence is planned for Asia near the end of next year.

The ServerBeach buy should also enhance the company's prospects, according to Hampson. He said the U.S. company, which offers its own "dedicated" servers for customers, should add about \$10 million in annual revenue to Peer 1's top line.

For fiscal 2004 (ended June 30), Peer 1 reported revenues of about \$13.6 million and a net loss of \$992,350.

At press time the company's share price was \$0.27.

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"... being smaller... makes them a little more responsive"

– Mark Quigley, analyst, Yankee Group

DOMINIC SCHIAFFER



High Tech Office

ALAN ZISMAN

In search of a better computer search tool

In *BIV* issue 785 (November 9–15), this column noted that "cheap data storage is radically changing the computer landscape." Big, cheap hard drives, DVDs and other forms of storage make it easy to keep huge amounts of e-mail, documents, photos and videos, storing them on your local computer, across a network, or online.

But the more stuff you keep, the harder it can be to locate what you need when you need it. Windows and the Mac OS offer search tools, but they don't seem to work the way people want.

Microsoft's next generation operating system, code-named Longhorn, had promised a new file system, storing file information in a searchable database. But Microsoft pulled this feature as part of efforts to get Longhorn out the door by 2006 or so.

Apple, meanwhile, is promising new and improved system-wide searches with Searchlight, a feature of its next operating system, Mac OS X 10.4, expected next spring.

But you might not need to wait for Microsoft or Apple. Canadian Web search tool developer **Copernic** offers Copernic Desktop Search, free for Windows users (www.copernic.com). Installed as a small box on your desktop, it lets you search either on your own computer or across the Web. It checks content in eight common text file types, including common Microsoft Office and Word Perfect documents, along with some image, music and video file types. It can also index and search Outlook mail and contact lists.

Web search giant **Google** has also gotten into the act with a free pre-release of its own Desktop Search tool (<http://desktop.google.com>). Clicking on a tiny taskbar icon opens what looks like a standard Google search page, but instead of producing hits on the Web, it offers up hits on your hard drive among your saved MS Office documents and your Outlook or Outlook Express e-mail. Nice fea-

ture: it will also search your browser cache, letting you find information on websites you've recently visited even if you're not online.

Google Desktop Search is currently only available for Windows 2000 and XP users and only works with Internet Explorer. (Copernic's product works on the full range of Windows versions and is browser-independent).

Google has promised versions for other browsers and for Mac OS X and plans to search more file formats, including PDF, e-mail and chat. Both Copernic's and Google's search tools start off indexing your drive's contents, making their results appear quickly.

When I recently tried out Google Desktop Search at my work, however, I was disappointed. Almost all my work is saved to a folder on a

The more stuff you keep, the harder it can be to locate

network drive, and that meant that it didn't appear in the search results. But if you store your work on your local hard drive, one or the other of these tools is worth a look.

There have been suggestions online that these tools are risky.

Google notes that their tool does not make your local data available to others across your local network or online. If you share your computer with other users, though, you may need to be wary about the power these tools give people logged onto your computer to search your files.

While Copernic and Google Desktop Search products are free tools aimed at individual users, corporate users needing more features and power (including the ability to search across a business network and to work with a variety of file formats) might want to check out products like dtSearch (www.dtsearch.com: US\$800 for five users) or ISYS (www.isys.com, priced from "under US\$1,000" and up, based on the number of users). ♦

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